



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor
Ted Stewart
Executive Director
James W. Carter
Division Director

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340
801-359-3940 (Fax)
801-538-5319 (TDD)

11/02/95

FACSIMILE COVER SHEET

DATE: AUGUST 9, 1995

NUMBER OF PAGES INCLUDING THIS COVER SHEET: 4

TO: RODY COX
WARM SPRINGS RESOURCE AREA
BUREAU OF LAND MANAGEMENT

FAX NUMBER: (801) 743-5112

FROM: D. WAYNE HEDBERG

Minerals Reclamation and Development Program

PHONE: (801) 538-5340

FAX: (801) 359-3940

SUBJECT: WESTERN STATES MINERALS CORP.
REQUEST FOR SURETY REDUCTION

REMARKS: RODY,
WE WOULD APPRECIATE RECEIVING
A BLM POSITION IN RESPONSE TO
THE LETTERS RECEIVED FROM WSMC.
WE HOPE TO RESPOND WITHIN THE
NEXT 7-10 DAYS OURSELVES.

TX.

WAYNE

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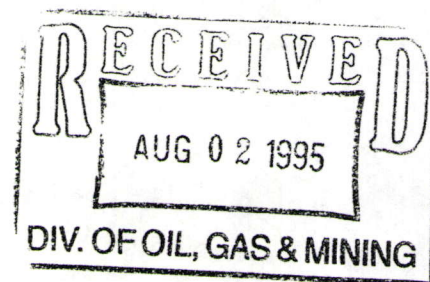
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m/027/007



July 31, 1995



Mr. D. Wayne Hedburg, Permit Supervisor
State of Utah, Division of Oil, Gas and Mining
355 West North Temple
3 Triad Center, Site 350
Salt Lake City, Utah 84180-1203

Re: Drum Mine, Millard County, Utah
Permit Transfer, ACT/027/007

Dear Mr. Hedburg:

With reference to Lowell Braxton's July 10, 1995 letter to Jumbo Mining Company, please be advised that Western States Minerals Corporation ("WSMC") is prepared to cooperate in the remaining permit transfer process as discussed on Page 3 of that letter.

It is our understanding that the replacement surety necessary for the permit transfer is based upon those portions of the estimate that relate to the original Drum Mine site. Consistent with the Order of the Colorado Court that transfer should be accomplished forthwith, the amounts estimated for "Jumbo-Alto/Keystone/Monarch/Ibex" and "Jumbo-Mizpah Pit and New Heap" are irrelevant to the referenced permit transfer and can be negotiated after the transfer is accomplished.

Based upon Mr. Braxton's letter, it is our understanding that the amount of the surety required to accomplish the remaining permit transfer is determined in the following manner:

DOGM Current Estimate

| | |
|--|----------------|
| WSMC's Portion of Original Entire Site | \$ 124,700 |
| Jumbo's Portion of Entire Site | <u>168,600</u> |
| Total Original Entire Site | \$ 293,300 |

Jumbo Surety Already Posted

Jumbo surety already in place applicable to original site (to WSMC's knowledge):

143,000 - ??

ADDITIONAL REQUIRED FOR REMAINING PERMIT TRANSFER \$ 150,300

DOGM, July 31, 1995

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Attached is an analysis of the DOGM estimate for the original Drum Mine site compared to the proposed reclamation surety that Mr. King offered in his letter to DOGM dated February 8, 1995. In that letter, Mr. King offered to post an additional \$89,000 to bond those portions of the Drum Mine site remaining to be transferred from WSMC to Jumbo Mining Company. This amount is in addition to the \$143,000 already posted, and Mr. King specifically recognized in his letter that his proposed bond would necessarily be subject to inflation, consistent with DOGM policies, thus increasing the total amount of his offer.

When Mr. King's proposed total bond is inflated to the year 2000, consistent with the DOGM estimate, the total amount of the bond which Mr. King has already offered to post is \$273,005. This amount is only \$20,295 less than the DOGM estimate of the total reclamation bond necessary for the original Drum Mine site.

Thus, it is apparent that no substantial difference exists between the reclamation bond proposed by DOGM for the original Drum Mine site and the amount that Mr. King has already offered to post. Therefore, WSMC demands that DOGM require Jumbo to post immediately an additional \$150,300, so that the remainder of the permit can be promptly transferred. There is no reason for further delay. It is obvious that DOGM's estimate is reasonable, and tracks Mr. King's previous offer very closely. Please advise us when we can expect the balance of the permit to be transferred.

Sincerely,


Allan R. Cerny
Secretary

Certified Mail No. Z 271 349 236
Return Receipt Requested

cc: Lowell P. Braxton
Lee Foreman
Mike Keller

COMPARISON OF DRUM RECLAMATION/SURETY AMOUNTS

JUMBO'S PROPOSAL LETTER OF FEBRUARY 8, 1995

VS.

DOGM LETTER OF JULY 10, 1995

JUMBO'S PROPOSAL OF FEB. 8, 1985

1. TOPSOIL

55,000 YD, "harvest and spread" at a cost of something less than \$0.50 per yd.

(1995 Dollars) \$ 25,000

2. DOGM estimate of May 22, 1989

(inflated five years at that time to 1994 Dollars) 64,000

Total Additional to existing JUMBO bond 89,000

3. Existing JUMBO bond

(also based on 1989 est. inflated to 1994 Dollars) 143,000

Total Proposed Drum Bond \$ 231,000

Inflate to Year 2000 to be consistent with DOGM:

25,000 X (1.028) (to the 5th power) \$ 28,702

64,000 X (1.028) (to the 6th power) 75,533

143,000 X (1.028) (to the 6th power) 168,770

Total (Year 2000 Dollars) \$ 273,005

DOGM 7/10/95 Estimate:

WSMC'S PORTION OF ORIGINAL ENTIRE SITE \$ 124,700

JUMBO'S PORTION OF ENTIRE SITE 168,600

Total (Year 2000 Dollars) \$ 293,300

Difference (DOGM vs. Jumbo on Year 2000 Basis) \$+ 20,295
